

BUDGET, FINANCE & INVESTMENT COMMITTEE

May 27, 2009

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Bob Bullen
Comm. Joe Frank Jernigan
Comm. Will Jordan
Comm. Robert Peay, Jr.
Comm. Steve Sandlin
Comm. Doug Shafer
Comm. Joyce Ealy, Chrm.

Others Present:

Ernest Burgess
Comm. Jim Daniel
Lisa Nolen
Harry Gill
Bill Boner
Dorris Jernigan
Mark Byrnes

Others Present:

Don Odom
Jeff Sandvig
Scott Broden
Elaine Short

Chairman Ealy presided and called the meeting to order at 5:30 P.M. with all members being present.

The purpose of the meeting was to review the 2009-10 budgets from the Board of Education for the General Purpose School Fund, Central Cafeteria Fund, and Education Capital Projects Fund.

2009-10 UPDATE:

The Finance Director advised that the Property Assessor had provided updated information regarding the assessed valuation with the revenue per penny for all properties being \$510,175 for the General Fund and \$431,353 for Schools. She reminded the committee when they consider adding new pennies to the property tax rate, the frozen properties needed to be considered, which would bring the value of added pennies to \$505,396 for the General Fund and \$427,312 for schools.

2009-10 GENERAL PURPOSE SCHOOL FUND:

The Finance Director reported that the adjustment in the value of the penny would add \$519,372 to the General Purpose School Fund revenue, and the revenue from sales tax had been reduced by \$972,500 resulting in total estimated revenue for 2009-10 of \$241,306,755.

At the joint meeting of the Health & Education Committee, Budget Committee and the School Board, the Health and Education Committee recommended total estimated expenditures for 2009-10 of \$243,632,755. The estimated expenditures exceeded the projected revenue by \$2,325,946. The estimated beginning unreserved fund balance at July 1, 2009 was \$8.3 million. The estimated ending fund balance at June 30, 2010 was \$5,974,054. The required 3% fund balance would be \$7,308,983. The current property tax rate for the General Purpose School Fund was \$1.23, and it would take an additional 5.44 cents to balance the revenues to the expenditures.

Comm. Sandlin noted that the 2008-09 amended revenue totaled \$236,128,978, and without adding any more pennies to the school's property tax levy, the school system would be receiving \$5.1 million more in revenue.

The Finance Director advised the additional revenue also included additional funding from the State for BEP.

Mr. Harry Gill, Director of Schools, and Mr. Jeff Sandvig were present to answer questions regarding the budget. Mr. Gill advised that substantial increases in utilities and insurance were included in the budget, neither of which reflected directly on instruction. He stated that was the reason the school system would need an additional five cents on the property tax rate. Mr. Gill stated that the budget essentially reflected a status quo budget. He advised that money had been cut from a lot of areas. Mr. Gill advised that the budget included additional funding for five transport buses and a special education bus, with some of the additional buses being needed for Brown's Chapel Elementary. He reported that they might not need all of the new buses. The

budget included 62 new certified positions for growth and 10 new classified positions for a total of 72 new positions.

Mayor Burgess asked Mr. Sandvig how many growth dollars in BEP money were reflected in the budget.

Mr. Sandvig advised that he based the growth dollars on a 2.5% increase. He explained that the estimate that he received in May was essentially the same as the April estimate, which was based the second, third, sixth and seventh weighted attendance. He stated he then added 2.5% growth to that.

Comm. Jordan stated that if the projected ending fund balance at June 30, 2009 was \$8.3 million and \$7.3 million was needed to meet the 3% requirement, it appeared that the ending fund balance could be reduced by \$1 million. He stated that he believed they should stay with the required policy, but in this economic time, he did not believe there should be more of a property tax increase than was necessary.

Comm. Sandlin asked about the additional money for utilities.

Mr. Sandvig advised that he would be taking an amendment to the School Board next week, which would add \$2.2 million to electricity, reduce the appropriation for gas by \$200,000, and increase the water, sewer and storm water fees by \$300,000. He advised that the necessary increase was due to increased rates and the School Board had many large facilities.

Comm. Sandlin also asked about the bus contract situation.

Mr. Gill stated that the Board would be dealing with that and that there may or may not be an increase to the mileage rate or the seat rate, which was how the bus drivers were compensated. He stated that fortunately the fuel costs did not escalate this year like they did last year.

Comm. Sandlin also asked about step increases for the certified employees, who are those employees who are under contract.

Mr. Gill explained that the certified employees were teachers, and the classified employees were cafeteria workers, EA's, custodians, secretaries, etc., and it was not required that they be given a step increase. Mr. Gill read a statement that said that state law required local school systems to adopt a salary schedule. The state has previously indicated that the schedule could not be decreased for certified employees. However, due to the current state of the economy, the state has now given school systems flexibility to decrease the local portion attributed to step raises. The state portion of the step raises must be given each year. Certified employees are paid pursuant to the state salary schedule based upon degree and years of experience. The total salary may not fall below the applicable salary for each degree at last year's experience level. However, state law requires that teacher's salaries be part of the negotiated agreement. No changes could be made to the salary schedule unless there is an agreement with the REA. Mr. Gill stated with that being the case, it might be possible for some of the step increases to be decreased if the REA agreed. He stated that he believed that the board would agree that they did not need to interfere with teacher step raises. He stated that was one of the things that attracted teachers to the school system. Secondly, he stated that Rutherford County was not one of the best-paid systems in the state. He stated that Rutherford County was not at the bottom, but it also was not at the top. He stated that good teachers were the glue that held the school system together, and without good teachers they would be in trouble in a hurry.

Comm. Sandlin stated that the conflict was that county employees were not receiving step increases or percentage increases across the board. He stated that even the elected officials and the Highway Fund were not giving pay increases this year.

Comm. Shafer also asked if there were situations where a certified teacher was not in the classroom any more, and was doing another job, and if the salary for that position was still negotiated by the REA.

Mr. Gill advised if the position required a certified individual, then it was included in negotiations with the REA.

Comm. Shafer also asked about classified employees who were being projected to receive a 2% increase, and County General employees were not receiving any pay increases.

Mr. Gill stated that he understood the logic. He explained that there was a three-phase salary increase for classified employees pursuant to a comparison that was done with surrounding counties. He stated the board wanted to make sure the classified employees were compensated at an equal level. He stated that 2009-10 would be the third year of that phase-in. He stated that the classified employees received a 2% increase on the base table the first and second year, but this year the board voted to freeze the pay table. However, the board did vote for the classified employees to receive step increases.

Mayor Burgess advised that in the two previous years, the classified employees received a 2% increase to the pay table, plus an additional step increase.

Comm. Shafer also brought up the tennis courts that were approved by the County Commission, stating it was something that a few of the citizens would use, but was being paid for by everyone. He also mentioned a fee that could be charged for people attending athletic events to help pay for the facilities or repairs to the facilities. He also mentioned the funding for the bus cameras, as well as offers from cell phone companies to locate cell phone towers on school property but were denied.

Mr. Gill advised that the bus cameras had paid dividends already. He stated that they could relieve the school system from an enormous liability.

Comm. Sandlin asked again about the comparison of the 2008-09 amended revenue totaling \$236,128,978 and the 2009-10 projected revenue of \$243,632,755.

Finance Director Lisa Nolen explained that the increase in the assessments added \$2.6 million in revenue. She explained that the local revenue increased by \$1.5 million without any property tax increase. State funding provided an additional \$3.5 million from BEP and growth.

Mayor Burgess stated that if an additional five cents were allocated on the property tax rate it would result in a four-percent increase on local money.

Mr. Gill stated that Rutherford County was still one of the lowest funded school systems in the state. He stated that he understood that a big portion of the money funded debt service that other school systems did not have.

Comm. Jordan stated it was the committee's responsibility to approve a total dollar amount and the amount of the property tax rate for schools, but they could not really determine funding for specific items in the budget.

Following discussion, Comm. Shafer moved, seconded by Comm. Peay to approve the 2009-10 General Purpose School Fund budget totaling \$242,757,755.

Comm. Shafer advised that his motion reduced the amount of the School Board's request by \$875,000, which was comprised of the funding for the classified employees step raises, the SRO for Holloway, medical insurance, and the fact that the school system had the ability to charge fees for the people who used the facilities but would chose not to do that.

Comm. Bullen asked Mr. Gill to comment on how well the school's fund balance had been utilized.

Mr. Gill advised the fund balance had been used to contribute to land acquisition and various capital projects. He stated that anytime the School Board wanted to use the fund balance, it had to get approval through the committee process. He stated that the estimated expenditures were

\$7.7 million more than last year. He stated they were projecting 2.5% growth and they had to open a new school. Secondly, \$2.9 million more would be spent on utilities. Third, their contribution to insurance would be \$1.5 million more. The step increases totaled \$2.2 million.

Comm. Sandlin asked if the maintenance of effort was being met.

The Finance Director and Mr. Sandvig agreed that the maintenance of effort was being met without any increase to the property tax rate.

Mr. Gill stated that if the school system did not receive a property tax increase of at least four or five cents, it would mean that their funding was being cut.

Mayor Burgess stated that at some point growth had to pay for itself. He stated it was not doing that. He stated that funding for the General Fund had been flat for the three years in a row. He stated that the school's budget was fully funded last year.

Comm. Bullen stated they were talking about producing students who would be capable of going into society and hopefully going beyond high school. He stated that Rutherford County was moving up the ladder in terms of reputation and accomplishment with test scores being one example, the quality of the school buildings being built, and the recognition of many of the county's teachers. He stated that when dealing with human beings and young people, they had to have a little room to operate. He stated that in a lot of places parents were taking their children out of public schools and sending them in private schools. He stated the reason they were doing that was because they sensed certain problems going on in the public schools. He stated that public schools had to continue fighting those problems and at the same time meet mandated standards from the Federal Government and the state.

Comm. Sandlin stated that Rutherford County had a great school system. He stated that he believed the school system could be given the amount of the revenue of \$241,306,809, and the school system could make that work.

Comm. Jordan stated that he was on the Health & Education Committee and the Budget Committee. He stated that he agreed with everything that had been said. He stated that Comm. Sandlin wanted to give the school system less than the motion on the floor and Comm. Bullen wanted to give the school system the full recommendation from the Health & Education Committee. He stated he agreed with Comm. Shafer's motion. He stated that he believed the school system could make an \$875,000 reduction from a \$243 million budget work. He stated that the commission would be going back to the taxpayers next year when the two new middle schools were opened.

Chairman Ealy stated that with Comm. Shafer's motion, the committee would also need to consider the property tax rate that would fund the motion or if the ending fund balance would be used to fund the motion.

The Finance Director advised that if \$1 million of the fund balance were used, an additional one-cent would need to be added to the property tax rate. If the committee wanted to balance the revenue to the expenditures an additional 3.5 cents would need to be added to the property tax rate.

Following discussion the motion to approve funding in the amount of \$242,757,755 for the 2009-10 General Purpose School Fund budget passed by roll call vote with Commissioners Jordan, Peay, Shafer, and Ealy voting "yes"; and Commissioners Bullen, Jernigan, and Sandlin voting "no".

Comm. Jordan moved to add one cent to the property tax rate for the General Purpose School Fund making a total property tax rate of \$1.24. The motion died for the lack of a second.

Comm. Bullen moved, seconded by Comm. Jernigan to add 4.5 cents to the property tax rate for the General Purpose School Fund making a total property tax rate of \$1.275. The motion failed

by roll call vote with Commissioners Bullen and Jernigan voting "yes"; and Commissioners Jordan, Peay, Sandlin, Shafer, and Ealy voting "no".

Comm. Shafer moved, seconded by Comm. Peay to add 3.5 cents to the property tax rate for the General Purpose School Fund making a total property tax rate of \$1.265. The motion passed by roll call vote with Commissioners Jernigan, Peay, Shafer, and Ealy voting "yes"; and Commissioners Bullen, Jordan, and Sandlin voting "no".

2009-10 CENTRAL CAFETERIA FUND:

Finance Director Lisa Nolen advised that the projected revenue for the 2009-10 Central Cafeteria Fund totaled \$14,519,150, and the estimated expenditures totaled \$14,124,300, which would add \$394,850 to the ending fund balance. The estimated fund balance at July 1, 2009 was \$3,443,000, and the estimated ending fund balance at June 30, 2009 was \$3,837,850. She advised that the fund was self-supporting and that no property tax was allocated to the fund.

Comm. Jordan moved, seconded by Comm. Shafer to approve the 2009-10 Central Cafeteria Fund with projected revenue totaling \$14,519,150 and estimated expenditures totaling \$14,124,300 and to include the same in the budget publication. The motion passed unanimously by roll call vote.

2009-10 EDUCATION CAPITAL PROJECTS FUND:

The Finance Director advised that an increase in the assessments resulted in an increase of \$21,112 for the Education Capital Projects Fund with total projected revenue being \$2,256,316 and estimated expenditures totaling \$2,234,204. As presented there would be an increase to the ending fund balance of \$22,112 with the estimated fund balance at July 1, 2009 being \$606,669 and the estimated fund balance at June 30, 2010 being \$628,781. The Education Capital Projects Fund currently receives five cents of the property tax rate.

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the 2009-10 Education Capital Projects Fund with estimated revenue totaling \$2,256,316 and estimated expenditures totaling \$2,234,204 and to include the same in the budget publication. The motion passed unanimously by roll call vote.

2009-10 HIGHWAY FUND:

The Finance Director advised that the estimated revenue for the Highway Fund had increased by \$4,994 due to the increase in the assessments. The total estimated revenue for the 2009-10 Highway Fund totaled \$7,980,529, and the estimated expenditures totaled \$9,356,150. The estimated fund balance at July 1, 2009 was \$6,300,000, and the estimated fund balance at June 30, 2010 was \$4,919,385.

Comm. Sandlin moved, seconded by Comm. Jordan to approve the 2009-10 Highway Fund for publication with estimated revenue totaling \$7,980,529 and estimated expenditures totaling \$9,356,150. The motion passed unanimously by roll call vote.

2009-10 AMBULANCE SERVICE FUND:

The Finance Director presented the 2009-10 Ambulance Service Fund with estimated revenue totaling \$10,318,452 which was derived from patient charges of \$4,860,000; 9.75 cents on the property tax rate totaling \$4,964,842; other local taxes totaling \$93,610; and a transfer from the General Fund of \$400,000. The estimated expenditures totaled \$9,890,087, resulting in an estimated ending fund balance at June 30, 2010 of \$428,365.

Comm. Sandlin moved, seconded by Comm. Jernigan to approve the 2009-10 Ambulance Service Fund for publication with projected revenue totaling \$10,318,452 and estimated expenditures totaling \$9,890,087. The motion passed by roll call vote with Comm. Peay voting "no".

2009-10 GENERAL FUND:

The Finance Director provided updated revenue information on the General Fund reflecting action to date. With the elimination of the Ambulance Service from the General Fund, the total 2009-10 estimated revenue was \$62,182,981.

The Finance Director reviewed the changes made to the General Fund to date with the total estimated 2009-10 expenditures being \$65,180,901, which exceeded the revenue by \$2,997,920. The estimated fund balance at July 1, 2009 was \$10,800,000, and the estimated fund balance at June 30, 2010 was \$7,802,080. The 15% fund balance policy required an ending fund balance of \$9,777,135. As presented the General Fund needed \$1,975,055 to meet the fund balance requirement. The General Fund currently receives 53 cents of the property tax rate. An additional 5.93 cents would be needed to balance the revenues to the expenditures, and 3.91 cents would be needed to meet the fund balance requirement.

The mayor suggested that 4.25 cents be added to the property tax rate for the General Fund.

Comm. Jernigan moved, seconded by Comm. Shafer to approve the 2009-10 General Fund for publication with projected revenue totaling \$62,182,981 and adding 4.25 cents to the current property tax levy resulting in a total of 57.25 cents, and the total estimated expenditures being \$65,180,901. The motion passed unanimously by roll call vote.

PROPOSED 2009-10 PROPERTY TAX RATE:

Chairman Ealy reviewed the action taken by the committee regarding the property tax levy. The committee voted to increase the property tax levy for the General Fund by 4.25 cents for a total of 57.25 cents; allocate 9.75 cents for the Ambulance Service Fund; the property tax levy for the Debt Service Fund would remain at 74 cents; the property tax levy for the Highway Fund would remain at one cent; increase the property tax levy for the General Purpose School Fund by 3.5 cents for a total of \$1.265; and the property tax levy for the Education Capital Projects fund would remain at five cents. The total proposed property tax levy for 2009-10 reflected an increase of 17.5 cents for a total of \$2.735 per \$100 of assessed valuation.

Comm. Peay moved, seconded by Comm. Jernigan to approve the proposed property tax levy for publication totaling \$2.735 per \$100 of assessed valuation. The motion passed by roll call vote with Commissioners Jernigan, Jordan, Peay, Shafer, and Ealy voting "yes"; and Commissioners Bullen and Sandlin voting "no".

Elaine Short advised that the cost to publish the 2009-10 budget in the Daily News Journal was \$3,326.40; and the cost to publish the information in the Murfreesboro Post was \$1,680.00. The Sunday circulation for the Murfreesboro Post was approximately 36,000 with 26,000 being in the Murfreesboro City limits.

Mayor Burgess advised that the Murfreesboro Post met the legal requirements for publication. The information would also be on the county's website.

Comm. Jordan moved, seconded by Comm. Shafer to publish the budget information in the Murfreesboro Post. The motion passed by roll call vote with Comm. Sandlin voting "no".

CANCEL MEETING ON MAY 29, 2009:

Chairman Ealy advised that the Budget Committee meeting scheduled for Friday, May 29 would be canceled as the committee had met the requirements for the deadline for the budget publication.

The next meeting would be the regular monthly meeting scheduled for June 4, 2009.

ADJOURNMENT:

There being no further business to be presented at this time Chairman Ealy declared the meeting adjourned at 7:30 P.M.

Elaine Short, Secretary